Fiscal TOPICS

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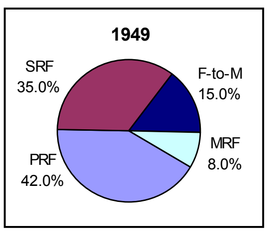
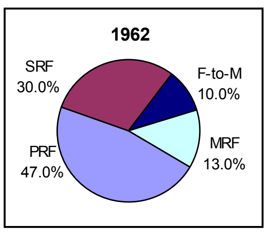
History of Changes to Road Funding Distributions in Iowa

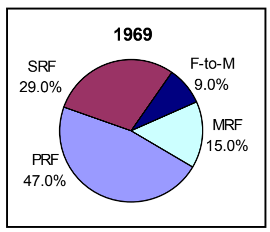
The Road Use Tax Fund distribution formula has remained the same for 20 years, despite numerous attempts to change it. In lieu of actual changes to the formula, State, city, and county engineers have continued to study the methods for distributing road funds to the State and local jurisdictions and to propose alternatives, some of which have been enacted. Those changes include transferring the jurisdiction and control of certain State roads to cities and counties, developing a new funding mechanism for distributing county road funds to each county, and establishing the TIME-21 Fund.

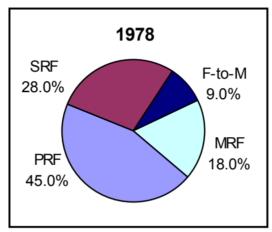
Road Use Tax Fund

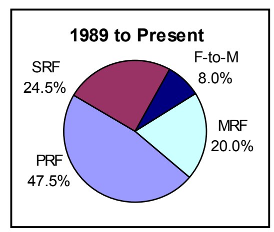
The Road Use Tax Fund (RUTF) is established in Iowa Code chapter 312. Revenues deposited in the Fund are used to fund programs, equipment purchases, facility improvements, and Department of Transportation (DOT) operations. These “off-the-tops” are allocated directly from the RUTF or appropriated through the appropriations process. After the off-the-tops are funded, the remaining revenues are distributed by formula to the Primary Road Fund (PRF) for use on State roads, the Secondary Road Fund (SRF) and Farm-to-Market Road Fund (F-to-M) for use on county roads, and the Municipal Road Fund (MRF) for use on city streets. The following charts show the distribution changes since the Road Use Tax Fund formula was established in 1949.











Municipal Road Fund moneys are allocated to each city based on the city’s population. Secondary and Farm-to-Market Road Fund moneys are allocated to each county based on two separate formulas: (1) the Quadrennial Need Study formula and (2) Secondary Road Fund Distribution Committee (SRFDC) formula. Additional detail on the county distribution methods are detailed in the following section.

County Road Funding

Prior to calendar year 2002, the Department of Transportation conducted a Quadrennial Need Study every four years to determine the 20-year construction, maintenance, and administration needs for all counties. The Study was based on computer models that evaluated road and bridge conditions, dimensions, and traffic. Based on the Study, 70% of Secondary and Farm-to-Market Road Funds were distributed to each county based on each county’s share of funding needs. The remaining 30% was distributed to each county based on each county’s share of total area.

Over time, the Quadrennial Need Study became increasingly challenging. The Study’s results fluctuated excessively, making it difficult for counties to plan road improvements. As a result, the DOT recommended eliminating the Study and establishing a Secondary Road Fund Distribution Committee (SRFDC) to consider a new distribution formula in lieu of the Study method. Legislation enacted in 2002 implemented these recommendations (SF 2192 – Chapter 1164, 2002 Iowa Acts).

The Secondary Road Fund Distribution Committee, comprised of county engineers, county supervisors, and DOT representatives, met over the next two years and developed the SRFDC formula. The formula, shown in the table on the following page, factors changes in population, mileage, lineal feet of bridges, and traffic levels as they occur over time.

In response to the Committee’s proposal, legislation enacted in 2005 (HF 674 – Chapter 142, 2005 Iowa Acts) included language to adopt the new formula through Administrative Rules. The formula is phased in over five years, as recommended by the Committee. The phase-in period will end in FY 2011, when 100.0% of county road funding will be distributed based on the SRFDC formula.

More Information

Fiscal Topic: TIME-21 Transportation Funding Act: http://www.legis.state.ia.us/lsadocs/Fiscal_Topics/2009/FTMBM001.PDF

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Transfer of Road Jurisdictions

Secondary Road Fund Distribution Committee (SRFDC) Formula

Distribution Factor	Secondary Road Fund	Farm-to-Market Road Fund
Area	30.0%	30.0%
Rural Population	10.0%	15.0%
Vehicle Miles of Travel	12.5%	10.0%
Miles of Dirt Road	0.5%	N/A
Miles of Granular Road	20.0%	9.0%
Miles of Paved Road	13.0%	23.0%
Length of Bridges	14.0%	13.0%
	100.0%	100.0%

In 2002, a study titled "Evaluation of the State Highway System and Road Use Tax Fund" was conducted by State, city, and county engineers to identify ways to increase the efficiency of operations statewide. The study proposed transferring the jurisdiction and control of approximately 700 miles of primary (State) roads to the respective cities and counties and transferring funds to those cities and counties to maintain the roads. The study also recommended transferring the jurisdiction and control of Farm-to-Market Road extensions in cities with a population of less than 500 to the respective counties.

In response to the study, legislation was enacted in 2003 (SF 451 – Chapter 144, 2003 Iowa Acts) to transfer the roads as recommended and to transfer the funding beginning in FY 2004. Since FY 2004, 1.75% of Primary Road Fund moneys is transferred monthly to the Transfer of Jurisdiction Fund and then apportioned to cities and counties as follows:

- 75.0% to the Secondary Road Fund of counties and Municipal Road Fund of cities that assumed jurisdiction of primary roads (90.0% to the Secondary Road Fund and 10.0% to the Municipal Road Fund).
- 22.5% to the Secondary Road Fund of all counties.
- 2.5% to the Municipal Road Fund of all cities.

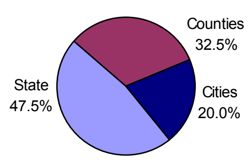
In FY 2014 and beyond, the Transfer of Jurisdiction Fund will be eliminated, and the 1.75% of Primary Road Fund moneys will be distributed to all cities and counties (90.0% to the SRF and 10.0% to the MRF).

In FY 2005, jurisdiction and control of approximately 400 miles of Farm-to-Market road extensions in cities with a population of less than 500 was transferred to the respective counties. As a result, a portion of Municipal Road Fund moneys from those cities is transferred monthly to the Secondary Road Fund of the counties to maintain the road extensions transferred.

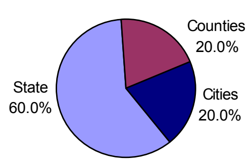
TIME-21

Legislation enacted in 2005 (HF 868 – Chapter 150, 2005 Iowa Acts) required the DOT to review the current revenue levels of the Road Use Tax Fund and the Fund's sufficiency for the projected construction and maintenance needs of the State, cities, and counties. The report, titled "Study of Iowa's Current Road Use Tax Funds (RUTF) and Future Road Maintenance and Construction Needs," was completed in 2006. The report stated that Iowa was facing a projected $27.7 billion shortfall over the next 20 years and that the minimum amount of new funding needed was an estimated $200.0 million per year. Recommendations for generating the additional funding included increasing the fees collected from the motor vehicle fuel tax, the motor vehicle use tax (now called the Fee for New Registration), and vehicle registration fees, among other fees.

Road Use Tax Fund Distribution



TIME-21 Fund Distribution



In response to the study, legislation enacted in 2007 (HF 932 – Chapter 200, 2007 Iowa Acts) established a TIME-21 Fund. The Act specified that the Fund may consist of any moneys appropriated by the General Assembly and any revenues credited by law to the Fund, but it did not include the fee increases as recommended in the report. The Act specified that TIME-21 funds be allocated 60.0% to the State, 20.0% to counties, and 20.0% to cities, as shown in the charts on the left. In comparison to the RUTF distribution, this is an increase in funding to the State, a decrease to counties, and the same percentage to cities.

House File 932 also required the DOT to periodically review the current revenue level of the RUTF for the projected construction and maintenance needs of the State, cities, and counties, and to submit a report to the General Assembly every five years beginning in 2011. In addition, since the Act did not include a source of revenue for the TIME-21 Fund, language was included to establish a TIME-21 interim committee to study revenue options and report back to the General Assembly by January 15, 2008. The interim committee met in the fall of 2007 and approved recommendations to continue to consider all revenue sources, except the fuel tax, for funding of the TIME-21 Fund and to change the motor vehicle use tax to a fee at the time of registration, to constitutionally protect the revenues.

In response to the interim Committee's recommendations, SF 2420 (Chapter 1113, 2008 Iowa Acts) was enacted during the 2008 Legislative Session and included language to increase the fees collected from vehicle registrations, trailers, and titles, and change the motor vehicle use tax to a Fee for New Registration. The revenues collected from the fee increases are distributed to the State, cities, and counties as specified in HF 932: 60.0% to the State, 20.0% to cities, and 20.0% to counties. (More on TIME-21 can be found in the Fiscal Topic titled, "TIME-21 Transportation Funding Act.")

In 2008, the DOT reevaluated Iowa's future road needs and revenues, and determined that the annual shortfall in meeting Iowa's most critical public roadway needs is $267.0 million, an increase of $67.0 million over the annual shortfall identified in the 2006 RUTF study.